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Presentation to PRC on ERA FY '60 Research Program

The research program proposed for fiscal year 1960 by the Economic Research Area, Office of Research and Reports, reflects the broad responsibilities of this Agency for the production of such finished intelligence.

DCID 3/1 allocates the primary responsibility for the production of economic intelligence on the Sino-Soviet Bloc to the Central Intelligence Agency. ERA/ORR's research program, therefore, reflects not only Agency needs but also a broad sweep of studies undertaken as a matter of common concern to the intelligence community.

The program as a whole reflects the increasing pressures and priorities generated by the cold war. The latter, which is a clearly recognized national danger, is being increasingly fought in the economic field. ORR, with the major share of the community's intelligence analysts dealing with the Sino-Soviet Bloc, must be responsive to the developing Bloc offensive. This requires research not only on current Bloc programs, but also on future capabilities and probable courses of action.

As in the past fiscal year, the fulfillment of the known and anticipated needs of our principal intelligence consumers is expected to absorb approximately 70 per cent of the research time available.

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Somewhat more than half of this effort will be required for the preparation of direct manuscript contributions to National Intelligence Estimates (NIE's) and National Intelligence Surveys (NIS's).

In addition to support for the NIE and NIS programs, our proposed program for FY 1960 allocates 14 per cent of available research hours to direct contributions to other consumers. The largest slice of this effort is concerned with Sino-Soviet Bloc economic penetration of underdeveloped areas. Specific projects include the bi-weekly and semi-annual publications prepared with the Department of State and reviewed by other member agencies of the Economic Intelligence Committee. Additionally, extensive research support is given to

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DD/P.

Considerable research effort is being devoted to the preparation of background studies for the use of DD/P and OO in planning projects for the collection of information on the Soviet guided missile program.

A second large slice of the support effort goes to intelligence prepared for multilateral economic defense policy, plans and enforcement groups.

A third major consumer in the "other support" category is the Air Force, for whom we produce semi-annually a detailed rack-up on key industries in the Sino-Soviet Bloc. This research is in support of the nuclear weapon targeting studies of the Air Force.

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Over the past few years, Air Force has, for all practical purposes, given up the study of the Bloc economies and has relied on us for the necessary information on which to base planning.

Current intelligence support is of necessity largely omitted from the formal research program, but is a major activity of ERA. We expect to produce over 1,000 current intelligence items during the coming fiscal year, largely for OCI publications and for the Watch Committee. Based on experience of the past year, about 150 of these should appear in the CIA Bulletin.

What we have discussed so far can be termed the "must program." The remaining projects scheduled, representing 30 percent of available man-hours, are undertaken at the initiative of ERA/OMR. In general, they are a reflection of consumer-oriented focus of our research. They are of three types:

1. Studies primarily undertaken to improve the quality of future NIE's, such as our work on GNP and industrial production. We now are at the point where we are putting together the results of several years of study to provide reliable estimates of the size and rate of growth of the USSR which we believe will stand up under the most careful scrutiny of the nation's top academic experts.

2. Studies which will fill community-identified priority intelligence gaps, such as those on military programs.

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ORR has pioneered in the study of the over-all cost and economic impact of the military activities of the USSR and is currently in the middle of a program involving the preparation of definitive studies on selective aspects of this problem such as military manpower, military pay, the scope of the announced "defense" appropriation, etc.

Considerable research effort is being devoted to locating guided missile production and deployment sites and assessing the economic resources being devoted to missile and space programs in the Sino-Soviet Bloc. This effort is being carried not only by the Guided Missile Branch, but also by a large number of other ERA components which have the responsibility for research on related aspects of the guided missile program such as electronics, construction, fuels, chemicals, etc.

3. Studies to provide analyses of economic questions which seem likely to become of national intelligence significance during the coming year, such as the project on gold reserves of the Sino-Soviet Bloc.

About a year ago, our proposed FY 1959 research program was reviewed by a special panel of consultants, who were not only

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substantively competent but also familiar with the work of CIA. In its report the panel commented favorably on the relevance of the research program to current issues but also urged the addition of studies oriented toward analysis of the long-range future of the Soviet economy. During FY 1959 research was carried out by the ERA on several major projects which are basic to such an analysis: the role of the raw materials and energy base in Soviet economic growth; the policies, performance and prospects for Soviet agriculture, the Soviet housing problem, and the consumer goods industries of the USSR.

Additional basic studies will be initiated in the research program for FY 1960. These include particularly a study relating energy costs to the economic production of nuclear power in the USSR, the role of the Soviet machine building industry, studies on several aspects of Soviet transportation and long-range construction plans and prospects. The long-range prospects of the economy of Communist China will also be the subject of scrutiny in FY 1960 with studies being initiated on the effect of the water conservancy program on agricultural production, and on the potential of technological innovations in the machine building industry and in construction.

In certain areas of research--notably Soviet atomic energy and guided missile programs--the work of ORR on the economic aspects of these programs is closely related to the work done by

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the Office of Scientific Intelligence (OSI) on the scientific and technical aspects. The ERA research program relating to these fields is being coordinated with OSI. The program as a whole is being reviewed also by the Office of National Estimates (ONE), the Office of Basic Intelligence (OBI), the Office of Operations (OO), the Office of Current Intelligence (OCI), the Office of Central Reference (OCR), and the Deputy Director for Plans (DD/P), and their comments will be taken into consideration in the final preparation of the program.

In addition to conducting the program of research presented herein, ERA monitors a number of research projects conducted by outside contractors. These projects are planned to support and to supplement the research being undertaken by various branches of ERA. They include continuing projects to provide detailed data on the population and the labor force in the USSR and the European Satellites, to develop and analyze national product accounts for several of the European Satellites, and to study the economic criteria for establishing nuclear power plants.

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